

What Manufacturing Want and Why?

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The secret of a good sermon is to have a good beginning and a good ending and having the two as close together as possible.

George Burns

Firstly – let me introduce myself.

I am a food scientist with a passion for good food. I have a degree in Food Technology and a MBA in marketing and business development. I am also studying for my Masters of Arts in Gastronomy.

I have worked in the food industry for all of my working life. I commenced my career in research and development later moving into food processing operations and management. More recently I have worked in general management and in Marketing.

I have run a frozen food plant producing high quality preprepared meals and partially prepared dishes. I ran the food service division for Kailis and France, Australia's largest fishing company and fish processor producing a range of processed fish products.

I developed Arnott's Food Service - the food service and restaurant division of Arnott's Limited that operated prior to the Campbells' take over, a food service manufacturer that worked closely with its customers in a "partnership marketing" arrangement including the chains such as McDonalds, KFC, Denny's and Sizzler as well as premium restaurants and hotels. And I have worked as a consultant to several major food processors, food service operators and restaurants.

I am currently Director of Marketing for the Collins Foods Group, which owns Sizzler worldwide and operates KFC in Queensland.

I have been asked to give you an insight into what Manufacturing wants and why, with regard to vegetable oils. Food manufacturing is a very large and diverse group including major food processing companies such as Kelloggs, Arnott's, Nestle and Goodman Fielder, together with hundreds of small & medium manufacturers, through to the food service industry including the big chains such as KFC, McDonalds and small fish and chip shops, restaurants and caterers.

Because of the diversity of individual needs I will restrict my comments to the general needs of the industry as a whole.

The answer to the question "What does Manufacturing want and why?" is really very simple and was summed up in Gary's note to me inviting me to talk to you. The major impediment to demand of sunflower oil in manufacturing is price and to a degree, awareness. Manufacturers basically want an oil that performs economically.

Let me expand.

Manufacturing's oil needs can be split into two main areas...

- Oil as an ingredient
- Oil as a process aid

Let's firstly, look at oil as a process aid as this is the largest use. Oil is used as lubricant, as a release agent and as a protective coating. However by far the most common use is as a frying medium. Oil is used to fry all sorts of food from potato chips, biscuits and doughnuts to instant noodles and fish fingers.

Whilst Charles and Bill have already covered some of the trends and nutritional needs I would like to revisit the consumer for a minute. Manufacturers are largely driven by consumer demand, so an insight into what they are thinking is useful.

Sunflower oil is no doubt healthy, as far as oils go – but does the consumer differentiate this? I need to differentiate between consumers who buy fried goods and those who don't. There are many people who do not buy fried foods or buy very little, for health and cultural reasons. These people are more aware about the health aspects of oils and watch what they eat.

However there is a much larger group of people for whom the health aspect of oils is, in their lives at present, not a major issue or something they choose to ignore. All oil is fat – some are better than others but overall the aim of most popular diets is to avoid fat. However, whilst the consumer is aware of the benefits and/or risks of some fats and oils, the type of fat used to produce foods is really academic and whilst debated by nutritionists, food technologists and food professionals, is of little interest to the fried food buying consumer.

One of the main products I market is fresh fried chips. What the consumer wants from me is a crisp, hot golden fried chip with a subtle potato flavour. Perhaps served with golden fried tempura prawns or a piece of dory coated in beer batter. They don't really care what I fry it in so long as it tastes good. They complain when the chips are soggy, burned or too highly flavoured. They don't like their fish to be dripping in oil. They do not really care if their KFC is fried in canola oil, sunflower oil or palm oil.

They already perceive that the food is not good for them but they eat it anyway – as part of a balanced and self-justified diet. A recent survey asked 19 to 25 years olds what foods they liked to eat but knew they should not. Chips were first, followed by confectionery, fatty foods, cakes and buns. We eat these “bad” foods because we are time poor. And because we like them. They taste good. People like the “convenience” of prepared fried foods be it Smith's Chips from a supermarket or fresh fried chips from KFC. KFC recently trialed a product called “mashies” – these are balls of mashed potato, rolled in the secret herb and spice coating and fried in oil. These are not a nutritious product in themselves. They are high in fat but also very high in flavour and pleasure

perception. They were so popular the trial had to be discontinued whilst stocks were built up. They are about to go on the menu permanently.

Another example of the power of pleasure – Alain Passard who is a Michelin two star chef in France, fries his chips in horse fat. The chips are hand cut and when served are golden brown, tender and puffy without being greasy, light, crisp and have a savoury flavour. They are definitely not high on the healthy list. And they cost about \$10 a serve. But they are highly sought after by the consumer. Horse fat in France has an upmarket, sought after image. It provides pleasure with an image of extravagance and rarity.

Food is more than just fuel. It is a symbol of who we are and reflection of our being. Our eating decisions are made on the basis of our upbringing, social standing and culture. Food decisions, for the majority of people, are not generally made on health grounds – despite what we like to say. They are made on the basis of pleasure. Take for example chocolate. Chocolate is a high fat food that receives little acclaim and much condemnation from the health professionals. Yet despite our current emphasis on healthy eating and fitness, as part of the new populist body technology, consumption of confectionery and chocolate continues to increase. We reward ourselves with chocolate – a high saturated fat food.

There are few ingredients which have received as much publicity in recent times as fats and oils and I think most consumers can be forgiven for feeling at least a little confused by the bombardment of information. We all know fats are a necessary part of our diet and that most of the flavour in foods is imparted by fats. But we are also told not to eat too much. And we are told that some fats are better than others. And every now and then, we are told that what we were told a few months ago, is now wrong – for example butter, since it has no trans fatty acids, is now seen as being one of the better fats! We are confused by claims and counter claims. So we choose foods that we like. If we are told they are unhealthy for us we will find ways to justify them – just as someone who has had

a bland salad for lunch with a diet coke rewards themselves with a piece of fat and sugar laden cheesecake.

We are not rational animals. People love fried food. We “know it’s bad for us” but we crave it anyway. It is simultaneously guilty and pleasurable. Despite the knowledge that it is not nutritionally good for us, it provides pleasure. And pleasure often overrides rational thoughts about health.

Current research shows that Australians are concerned. Concerned about terrorism, about the war in Iraq, about the lack of leadership in public life, about the falling sharemarket and about life in general. They don’t want any more bad news and they are seeking simple pleasures. However, they are beginning to reject “fast food” on the basis of high cost and low nutrition – despite the convenience and the childhood pleasure. Whilst they want healthy food – they also want flavour and satisfaction. Small indulgences are important. They like their fried foods, their chocolate and their comfort food.

Back to manufacturers. If the consumer demanded that we use only monounsaturated vegetable oils and boycotted our products if we did not, we would use these oils. But the consumer is accepting of the current products. Products in the past, such as potato chips that have been advertised as fried in healthy canola or olive oil, do not necessarily sell any better than their normal cousin. This is largely because the people who are watching their oil intake, avoid these foods and the people who are not watching their oil intake, prefer to buy the products that they know and taste good.

So whilst the National Heart Foundation recommends the use of frying oils with a saturated plus trans fatty acid level of less than 20%, which favours sunflower oil, most manufacturers are still using blends of palm, cottonseed and soy oils that create the best quality product for the lowest cost.

From a technical point of view, manufacturers want an oil that imparts little flavour of its own, provides a crisp golden product, with low foaming, minimal breakdown at high

temperatures and longevity in the fryer. And they want it as cheap as possible. In the past only animal fats could give longevity in the fryer at reasonable cost. More recently palm, cottonseed and other blends have become popular. But price is still a major issue.

Unless the oil or fat has a “marketing input” of its own, manufacturers will buy the cheapest oil they can that gives them consistently acceptable results. Some oils such as olive oil have a unique history and marketing image, but their cost is high so its use is largely restricted to ingredient oil.

This is not to say that health and nutrition are ignored. The food industry has moved away from using tallow as a frying agent through lobbying by health officials and consumer demand. Tallow still produces the best tasting chips – as highlighted by Alain Passard’s use of horse fat. However it is well known to be high in cholesterol and saturated fats. Lobby groups such as HeartSavers in the USA have successfully made chains such as McDonalds review their use of beef tallow.

The other major use for oils is as an ingredient in products – such as salad dressings, mayonnaise, sauces etc. This is a little different as the consumer is actually using the oil themselves, can see and touch it and is more aware of its use. So they use the ones that have the highest awareness, balanced with cost. This is also a more important market for healthy oils since those people on restricted oil diets can control what they use. They will choose the healthy brands. Similarly people who want to think they are on a diet will choose a healthy, “light”, low calorie salad dressing – to dip their fried chips into!

For the manufacturers of ingredients using oil, cost is still a factor as is the quality of the final product. However there is a greater emphasis on the marketability of the product, particularly related to health risk – rather than health benefit.

The consumer is aware of the negative effects of fats and oils. But they like fats and oils as they impart flavour, texture and richness to a product. Generally they buy the products, not because they are good for them, but because they are less bad for them and

they can control their input. Many people will cut down on the oil they like, such as butter, rather than change to a different or blander flavour.

Oil and fat is no different to any other food in terms of culture. We tend to favour what we were brought up on and what we see as being culturally correct. The French in the north of France will favour butter whilst the French in the south of France will favour olive oil, since this is how it has been for hundreds of years. Tradition is important – but so is “training” or exposure; some Frenchmen in the north will be physically sick if given a food high in olive oil.

As an ingredient, manufacturers will follow consumer demand which can be driven by desire, tradition, cultural beliefs, fashion, health or simple marketing.

The so called “healthier oils” are gaining favour with the consumer and as such will gain favour with the manufacturers. There is increasing public education – although there are also a lot of misconceptions. For example, I don’t think the public are aware that all oil has the same calorific value (about 45 calories per teaspoon) and they believe that “light oils” have less calories, something the marketers will ignore! Olive oil is probably the most “popular” oil with the consumer due to its long history, its traditional place in Mediterranean cuisine, its flavour, its health benefits and due to the marketing efforts of the olive oil industry. Olive oil has enjoyed good publicity because of the so called Mediterranean Paradox or Mediterranean diet – which is high in olive oil but has low heart disease. Olive oil is constantly marketed by chef’s, grocers, food suppliers and marketers. It has a high profile and is marketed on its tradition and flavour. Its healthy aspects whilst important, are secondary to its gourmet image. Olive oil is generally expensive but has overcome this through desirability, flavour characteristics and almost cult status with gourmets. Consumers are even invited to olive oil tastings these days just like wine, and olive oil varieties are gaining wine-like status.

Canola Oil has also had a lot of publicity – some of it negative over its genetic heritage and potential toxicity. But overall canola is seen as a “healthy” bland oil suitable for

cooking and use in salad dressings etc. It has the lowest saturated fats and a good mix of poly-unsaturates and mono-unsaturates. Canola has aligned itself with the healthy image, in particular with people who have heart conditions and other diet affected diseases. The Healthy Heart cookbooks promote canola as a substitute for less healthy fats and oils and generally the consumer who is conscious of oil in their diet, will seek out canola oil.

In general olive oil has staked its claim as the “original oil” full of flavour and gourmet desirability, whilst canola oil has staked its claim as the healthy alternative to most other fats.

Sunflower oil is a good all-purpose oil. It's high in poly-unsaturates, has a neutral flavour and a light texture. Sunflower oil has good properties, especially for frying. However it has low awareness and higher cost. The sunflower industry must market the product and its benefits for both the consumer and the manufacturers. By making consumer aware of the positive health benefits in a positive non-threatening tone, they may demand that their fried foods be fried in mono-unsaturated sunflower. Ideally you need to find a point of difference; something that separates Sunflower oil from olive oil and canola oil, something that gives it value and desirability.

In summary, manufacturers will respond to consumer demand, but in general they simply want an oil that gives them a consistently good product at the least cost. Just being healthy is not enough. There has to be a cost benefit as there is with olive oil or canola. And the product has to be positively marketed. Whilst health is a significant issue, the consumer is aware that fats and oils should be restricted, so they make their decision based on lowest risk rather than highest gain. Olive oil and canola have positive benefits in the consumer mind and are in demand by the consumer. To achieve greater use of Sunflower Oil, the industry must develop a “pull strategy” where the consumer asks for the product. A good example of this is Intel. Intel, the manufacturer of computer chips used in most Microsoft based PC's, do not sell products to the consumer directly. They sell their chips to IBM, Dell, Acer etc. But they market their product to the consumer.

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They ensure that the consumer perceives their chip to be the best – so that they will ask for it. And IBM market their product with the by-line “Intel inside”.

You need to get Sunflower Oil inside!